

HOLDEN TOWN
FINANCIAL STATEMENTS
JUNE 30, 2006

C O N T E N T S

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Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Board
Holden Town
Holden, Utah 84636

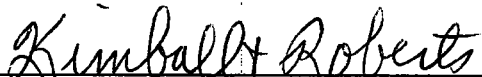
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Holden Town as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Holden Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Holden Town as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2006, on our consideration of Holden Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 38 through 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

October 26, 2006
Richfield, Utah

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is used to assist in formatting, for easier reading)

HOLDEN TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended June 30, 2006

This discussion of Holden Town's financial performance provided an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

The Town's purpose is to provide general services to its residents which includes general government, public safety, public health, highways and streets and culture and recreation.

Financial Highlights

- * The assets of the Town exceeded its liabilities as of the close of the most recent year by \$998,640 (net assets). Of this amount, \$261,738 (unrestricted net assets) which may be used to meet its ongoing obligations to citizens and creditors.
- * The government's total net assets decreased by \$33,474. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- * At the close of the current year, the Town's governmental funds reported ending fund balances of \$70,712, a increase of \$10,161 in comparison with the prior year. At year end, the general fund had a negative unrestricted fund balance of \$16,494.
- * The Town's total debt decreased by \$62,057 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, public health, highways and streets, and culture and recreation. The business-type activities of the Town are water and electric operations.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Holden Town maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The Town adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Holden Town maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and electric operations.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Holden Town's, assets exceeded liabilities by \$998,640 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (64 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$261,738, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Holden Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	91,598	65,218	315,250	342,034	406,848	407,252
Capital Assets	268,720	302,405	606,659	638,483	875,379	940,888
Total Assets	360,318	367,623	921,909	980,517	1,282,227	1,348,140
Long-Term Liabilities	-	-	222,943	298,000	222,943	298,000
Other Liabilities	20,886	4,667	39,758	13,359	60,644	18,026
Total Liabilities	20,886	4,667	262,701	311,359	283,587	316,026
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	268,720	302,405	370,716	337,983	639,436	640,388
Restricted	87,206	63,206	10,260	56,756	97,466	119,962
Unrestricted	(16,494)	(2,655)	278,232	274,419	261,738	271,764
Total Net Assets	339,432	362,956	659,208	669,158	998,640	1,032,114

Governmental Activities

Governmental activities decreased Holden Town's net assets by \$23,524.

Holden Town Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	94,072	89,444	191,209	185,641	285,281	275,085
Operating Grants	27,254	23,301	-	-	27,254	23,301
Capital Grants	-	-	-	11,950	-	11,950
General Revenues:						
Property Taxes	7,975	8,813	-	-	7,975	8,813
Other Taxes	37,245	34,295	-	-	37,245	34,295
Unrestricted Investment Earnings	8,337	4,733	6,040	4,916	14,377	9,649
Total Revenues	174,883	160,586	197,249	202,507	372,132	363,093
Expenses:						
General Government	103,118	105,847	-	-	103,118	105,847
Public Safety	19,722	7,891	-	-	19,722	7,891
Public Health	4,883	23,413	-	-	4,883	23,413
Highways & Streets	50,451	48,209	-	-	50,451	48,209
Culture and Recreation	20,233	23,222	-	-	20,233	23,222
Water	-	-	61,637	65,282	61,637	65,282
Electric	-	-	145,562	155,376	145,562	155,376
Total Expenses	198,407	208,582	207,199	220,658	405,606	429,240
Increase in Net Assets Before Transfers	(23,524)	(47,996)	(9,950)	(18,151)	(33,474)	(66,147)
Transfers	-	-	-	-	-	-
Increase in Net Assets	(23,524)	(47,996)	(9,950)	(18,151)	(33,474)	(66,147)
Net Assets - Beginning	362,956	410,952	669,158	687,309	1,032,114	1,098,261
Net Assets - Ending	339,432	362,956	659,208	669,158	998,640	1,032,114

* The City received operating grants of \$27,106. All of this amount, \$27,106 was received for Class C roads.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities decreased the Town's net assets by \$9,950.

- * For the most part, increases in expenses closely paralleled inflation and growth in the demand for services for water and electricity.
- * The depreciation in the enterprise funds remained the same.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the Town's governmental funds reported combined ending fund balances of \$70,712, a increase of \$10,161 in comparison with the prior year. At the end of this fiscal year the general fund has a negative unreserved fund balance of \$16,494. The remainder of fund is reserved to indicate that it is not available for new spending because it has already been committed to highways and streets for \$41,000 and perpetual care of \$46,206.

Proprietary Funds

The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water and electric funds at the end of the year was \$278,232. Other factors concerning the finances of these funds has already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget.

Actual revenues were less than budgeted revenues by \$42,117 and actual expenditures were less than budgeted expenditures by \$52,278 resulting in a net increase in fund balance of \$10,161.

Capital Asset and Debt Administration

Capital Assets

Holden Town's investment in capital assets for its governmental activities as of June 30, 2006, was \$268,720 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads and streets.

The total increase in the Town's investment in capital assets for the current year was \$0. No major capital assets were year.

Holden Town's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	21,600	21,600	1,500	1,500	23,100	23,100
Infrastructure	157,500	180,000	-	-	157,500	180,000
Buildings	49,720	51,605	-	-	49,720	51,605
Improvements Other than Buildings	-	-	575,099	601,228	575,099	601,228
Equipment	39,900	49,200	30,060	35,755	69,960	84,955
Construction in Progress	-	-	-	-	-	-
Total	268,720	302,405	606,659	638,483	875,379	940,888

Additional information on the Town's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the Town's had total bonded debt outstanding of \$235,943. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Holden Town's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue Bonds	-	-	235,943	298,000	235,943	298,000

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

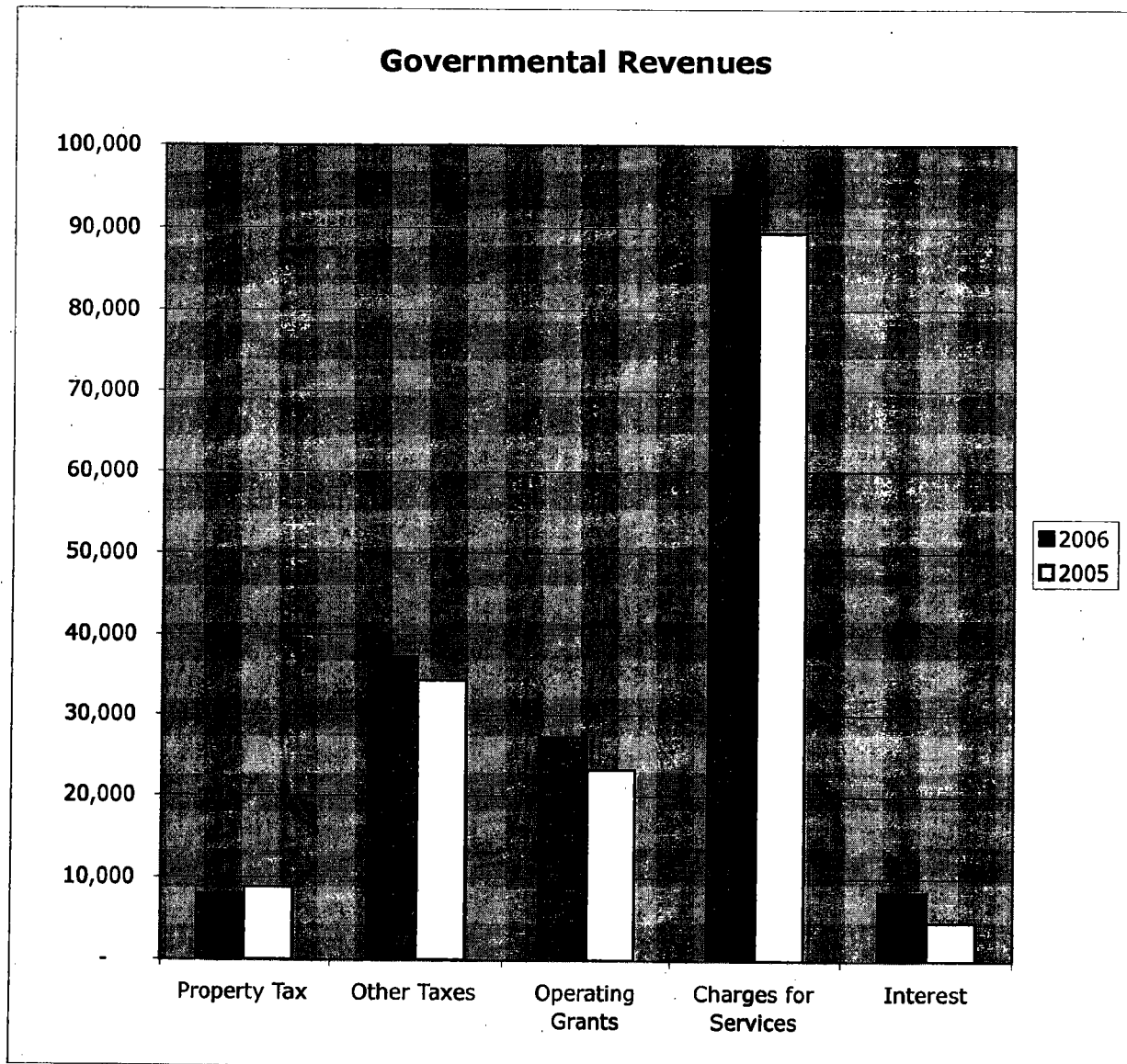
Additional information on Holden Town's long-term debt can be found in the notes to the financial statements.

Request for Information

This financial report is designed to provide a general overview of Holden Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Holden Town Treasurer, P.O. Box 127, Holden, Utah, 84636-0127.

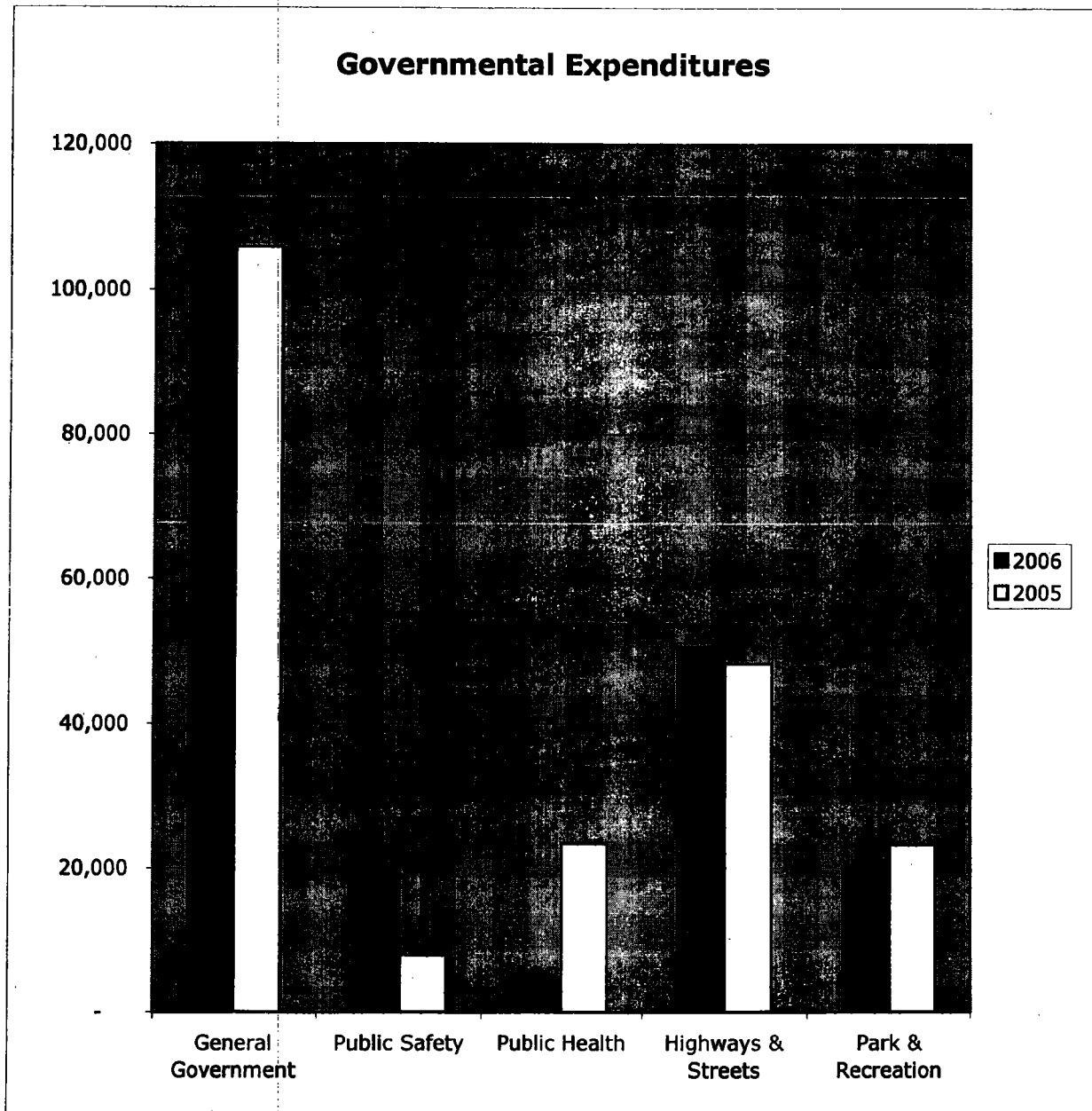
**Holden Town
Governmental Revenues
For The Fiscal Years Ending June 30, 2006 and 2005**

	2006	2005
Property Tax	7,975	8,813
Other Taxes	37,245	34,295
Operating Grants	27,254	23,301
Charges for Services	94,072	89,444
Interest	8,337	4,733
Total Revenues	174,883	160,586



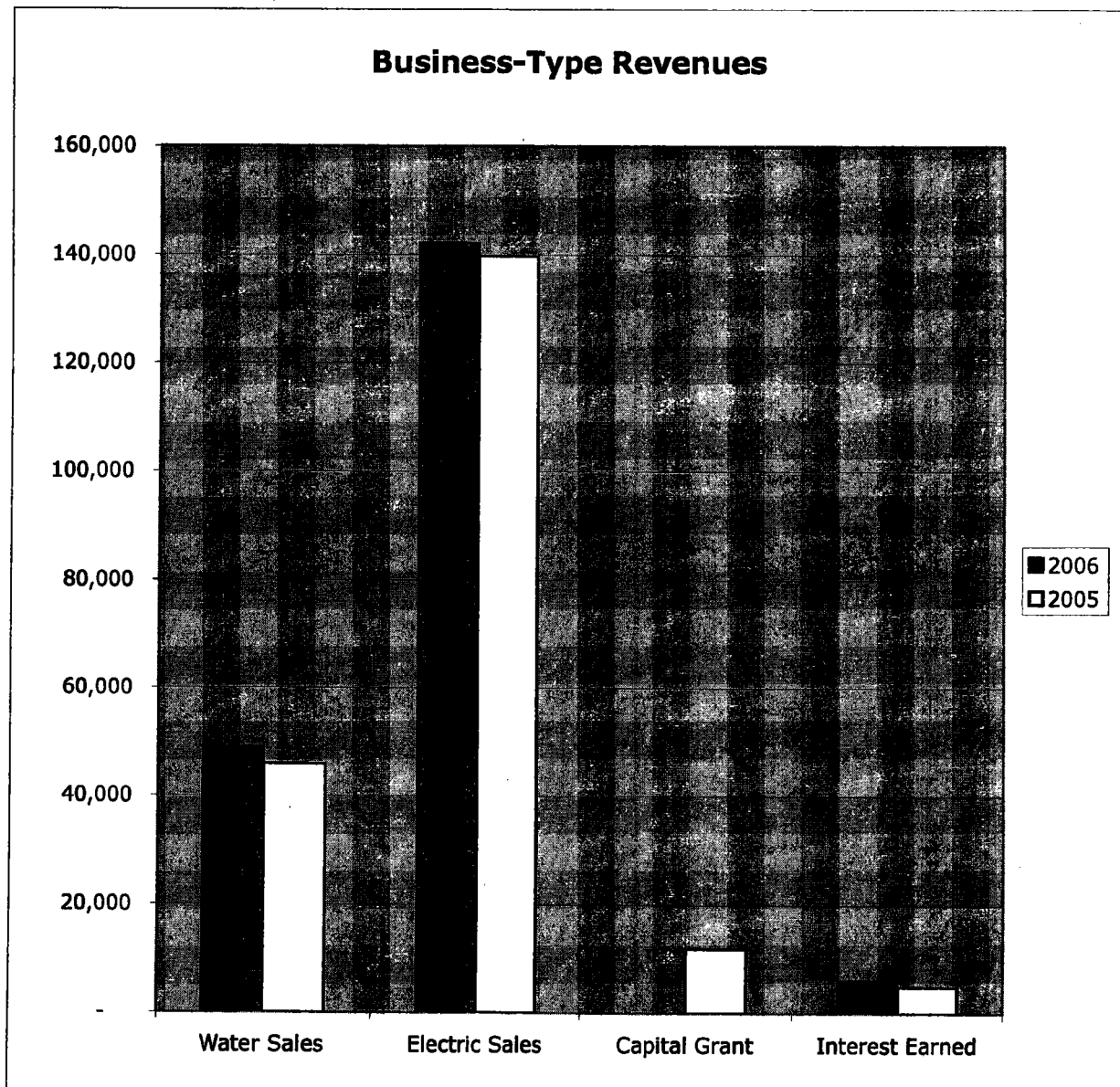
**Holden Town
Governmental Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005**

	2006	2005
General Government	103,118	105,847
Public Safety	19,722	7,891
Public Health	4,883	23,413
Highways & Streets	50,451	48,209
Park & Recreation	20,233	23,222
Total Expenditures	198,407	208,582



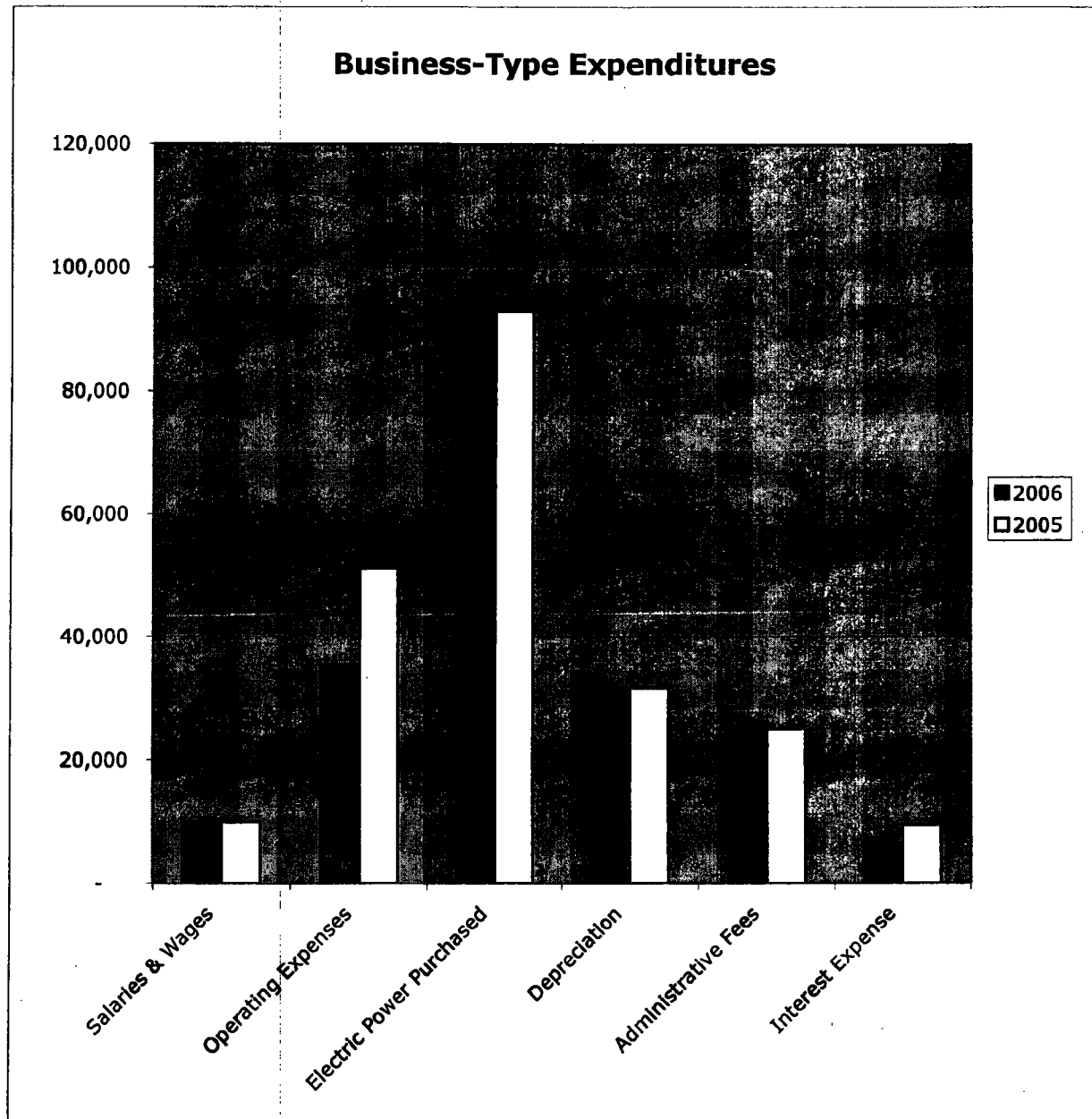
Holden Town
Business-Type Revenues
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Water Sales	49,002	45,835
Electric Sales	142,206	139,806
Capital Grant	-	11,950
Interest Earned	6,040	4,916
Total Revenues	197,248	202,507



Holden Town
Business Type Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Salaries & Wages	10,016	10,038
Operating Expenses	35,588	51,039
Electric Power Purchased	98,053	92,944
Depreciation	31,824	31,824
Administrative Fees	25,000	25,200
Interest Expense	6,718	9,613
Total Expenditures	207,199	220,658



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BASIC FINANCIAL STATEMENTS

HOLDEN TOWN STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	83,863	281,514	365,377
Accounts Receivable (Net)	2,014	23,476	25,490
Due From Other Government Units	5,721	-	5,721
Total Current Assets	91,598	304,990	396,588
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	10,260	10,260
Capital Assets (Net of Accumulated Depreciation):			
Land	21,600	1,500	23,100
Buildings	49,720	-	49,720
Equipment	39,900	30,060	69,960
Utility Improvements	-	575,099	575,099
Infrastructure	157,500	-	157,500
Total Noncurrent Assets	268,720	616,919	885,639
TOTAL ASSETS	360,318	921,909	1,282,227
LIABILITIES			
Current Liabilities:			
Accounts Payable	20,886	24,008	44,894
Deposits Payable	-	750	750
Bond Interest Payable	-	2,000	2,000
Revenue Bonds Payable - Due Within One Year	-	13,000	13,000
Total Current Liabilities	20,886	39,758	60,644
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	-	222,943	222,943
TOTAL LIABILITIES	20,886	262,701	283,587
NET ASSETS			
Investment in Capital Assets, Net of Debt	268,720	370,716	639,436
Restricted For:			
Bond Retirement	-	10,260	10,260
Class C Road	41,000	-	41,000
Perpetual Care	46,206	-	46,206
Unrestricted	(16,494)	278,232	261,738
TOTAL NET ASSETS	339,432	659,208	998,640
TOTAL LIABILITIES AND NET ASSETS	360,318	921,909	1,282,227

The notes to the financial statements are an integral part of this statement.

HOLDEN TOWN STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Function/Programs Primary Government: Governmental Activities:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants/Capital Grants/ Contributions	Governmental Activities	Business-Type Activities
General Government	103,118	56,319	-	(46,799)	(46,799)
Public Safety	19,722	16,575	148	(2,999)	(2,999)
Public Health	4,883	19,838	-	14,955	14,955
Highways and Streets	50,451	-	27,106	(23,345)	(23,345)
Culture and Recreation	20,233	1,340	-	(18,893)	(18,893)
Total Governmental Activities	198,407	94,072	27,254	(77,081)	(77,081)
Business-Type Activities:					
Water Fund	61,637	49,003	-	-	(12,634)
Electric Fund	145,562	142,206	-	-	(3,356)
Total Business-Type Activities	207,199	191,209	-	-	(15,990)
Total Primary Government	405,606	285,281	27,254	(77,081)	(93,071)
General Revenues:					
Property Taxes		7,975		-	7,975
Fee-In-Lieu of Property Taxes		3,231		-	3,231
Sales Taxes		34,014		-	34,014
Unrestricted Investment Earnings		8,337		6,040	14,377
Total General Revenues and Transfers		53,557		6,040	59,597
Change in Net Assets		(23,524)		(9,950)	(33,474)
Net Assets - Beginning		362,956		669,158	1,032,114
Net Assets - Ending		339,432		659,208	998,640

The notes to the financial statements are an integral part of this statement.

**HOLDEN TOWN
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2006

	General Fund	Nonmajor Perpetual Care Permanent Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	37,657	46,206	83,863
Accounts Receivable (Net)	2,014	-	2,014
Due From Other Government Units	5,721	-	5,721
TOTAL ASSETS	<u>45,392</u>	<u>46,206</u>	<u>91,598</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	20,886	-	20,886
Total Liabilities	<u>20,886</u>	<u>-</u>	<u>20,886</u>
Fund Balances:			
Reserved For:			
Class "C" Road	41,000	-	41,000
Perpetual Care	-	46,206	46,206
Unreserved, Reported In:			
General Fund	(16,494)	-	(16,494)
Total Fund Balance	<u>24,506</u>	<u>46,206</u>	<u>70,712</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>45,392</u>	<u>46,206</u>	<u>91,598</u>

The notes to the financial statements are an integral part of this statement.

HOLDEN TOWN
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances - Governmental Fund Types	70,712
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	21,600	
Buildings	49,720	
Equipment	39,900	
Infrastructure	<u>157,500</u>	

Total		<u>268,720</u>
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Net Assets of Government Activities	<u><u>339,432</u></u>
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HOLDEN TOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

	General Fund	Nonmajor Perpetual Care Permanent Fund	Total Governmental Funds
Revenues:			
Taxes	45,220	-	45,220
Licenses and Permits	927	-	927
Intergovernmental Revenue	27,254	-	27,254
Charges for Services	89,153	-	89,153
Interest	8,337	-	8,337
Miscellaneous Revenues	3,992	-	3,992
	<u>174,883</u>	<u>-</u>	<u>174,883</u>
Total Revenues			
	<u>174,883</u>	<u>-</u>	<u>174,883</u>
Expenditures:			
Current:			
General Government	102,243	-	102,243
Public Safety	19,722	-	19,722
Public Health	4,883	-	4,883
Highways and Streets	20,651	-	20,651
Culture and Recreation	17,223	-	17,223
	<u>164,722</u>	<u>-</u>	<u>164,722</u>
Total Expenditures			
	<u>164,722</u>	<u>-</u>	<u>164,722</u>
Net Change In Fund Balance			
	10,161	-	10,161
Fund Balance - Beginning			
	<u>14,345</u>	<u>46,206</u>	<u>60,551</u>
Fund Balance - Ending			
	<u>24,506</u>	<u>46,206</u>	<u>70,712</u>

The notes to the financial statements are an integral part of this statement.

HOLDEN TOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	10,161
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Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period:

Depreciation Expense	<u>(33,685)</u>
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Changes In Net Assets of Governmental Activities	<u><u>(23,524)</u></u>
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**HOLDEN TOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise Fund		
	Water Fund	Electric Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	263,064	18,450	281,514
Accounts Receivable	9,267	14,209	23,476
Total Current Assets	272,331	32,659	304,990
Noncurrent Assets:			
Investments - Restricted:			
Bond Retirement	10,260	-	10,260
Capital Assets: (Net of Accum. Depr.)			
Land	1,500	-	1,500
Water System	528,069	-	528,069
Electric System	-	47,030	47,030
Equipment	11,060	19,000	30,060
Total Noncurrent Assets	550,889	66,030	616,919
TOTAL ASSETS	823,220	98,689	921,909
LIABILITIES:			
Current Liabilities:			
Accounts Payable	-	24,008	24,008
Deposits Payable	-	750	750
Bond Interest Payable	2,000	-	2,000
Bonds Payable - Current Portion	13,000	-	13,000
Total Current Liabilities	15,000	24,758	39,758
Noncurrent Liabilities:			
Bonds Payable - Long-Term Portion	222,943	-	222,943
TOTAL LIABILITIES	237,943	24,758	262,701
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	304,686	66,030	370,716
Restricted for:			
Bond Retirements	10,260	-	10,260
Unrestricted	270,331	7,901	278,232
TOTAL NET ASSETS	585,277	73,931	659,208
TOTAL LIABILITIES AND NET ASSETS	823,220	98,689	921,909

The notes to the financial statements are an integral part of this statement.

HOLDEN TOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2006

	Business-Type Activity Enterprise Fund		
	Water Fund	Electric Fund	Totals
Operating Revenues:			
Charges for Sales and Services:			
Water	49,002	-	49,002
Electricity	-	142,206	142,206
Total Operating Revenues	49,002	142,206	191,208
Operating Expenses:			
Salaries	7,356	2,660	10,016
Materials and Supplies	572	440	1,012
Maintenance and Operations	8,281	14,469	22,750
Contractual Services	-	7,893	7,893
Purchase of Electricity	-	98,053	98,053
Administrative Fee	12,500	12,500	25,000
Other	1,191	2,742	3,933
Depreciation	25,019	6,805	31,824
Total Operating Expenses	54,919	145,562	200,481
Operating Income	(5,917)	(3,356)	(9,273)
Nonoperating Revenues (Expenses):			
Investment Earnings	6,040	-	6,040
Interest Expense	(6,718)	-	(6,718)
Total Nonoperating Revenues (Expenses)	(678)	-	(678)
Change in Net Assets	(6,595)	(3,356)	(9,951)
Total Net Assets - Beginning	591,872	77,287	669,159
Total Net Assets - Ending	585,277	73,931	659,208

The notes to the financial statements are an integral part of this statement.

**HOLDEN TOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise Fund		
	Water Fund	Electric Fund	Totals
Cash Flows From Operating Activities:			
Receipts From Customers	45,353	141,616	186,969
Payments to Suppliers	(23,044)	(122,197)	(145,241)
Payments to Employees	(7,356)	(2,660)	(10,016)
Net Cash Provided by Operating Activities	<u>14,953</u>	<u>16,759</u>	<u>31,712</u>
Cash Flows From Capital and Related Financing Activities:			
Interest Paid on Capital Debt	(6,718)	-	(6,718)
Principal Paid on Capital Debt	(62,057)	-	(62,057)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(68,775)</u>	<u>-</u>	<u>(68,775)</u>
Cash Flows from Investing Activities:			
Interest Received	<u>6,040</u>	<u>-</u>	<u>6,040</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(47,782)	16,759	(31,023)
Cash and Cash Equivalents - Beginning	<u>321,106</u>	<u>1,691</u>	<u>322,797</u>
Cash and Cash Equivalents - Ending	<u><u>273,324</u></u>	<u><u>18,450</u></u>	<u><u>291,774</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:			
Operating Income	<u>(5,917)</u>	<u>(3,356)</u>	<u>(9,273)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:			
Depreciation	25,019	6,805	31,824
Increase (Decrease) in Operating Assets:			
Accounts Receivable	(3,649)	(588)	(4,237)
Accounts Payable	-	13,898	13,898
Accrued Interest Payable	<u>(500)</u>	<u>-</u>	<u>(500)</u>
Total Adjustments	<u>20,870</u>	<u>20,115</u>	<u>40,985</u>
Net Cash Provided (Used) by Operating Activities	<u><u>14,953</u></u>	<u><u>16,759</u></u>	<u><u>31,712</u></u>

The notes to the financial statements are an integral part of this statement.

**HOLDEN TOWN
NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Holden Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for year ended June 30, 2006.

The following is a summary of the more significant policies:

A. Reporting Entity

Holden Town is a municipal corporation in Millard County, Utah. It is governed by an elected mayor and a four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, Holden Town, the reporting entity. The Town has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

HOLDEN TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Holden Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government also reports the following non-major governmental fund:

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the City water and electric operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and electric funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

HOLDEN TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

HOLDEN TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Water System	20 - 40 Years
Electric System	10 - 40 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Board on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Board at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Some Towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of those budgeted, is an illegally created debit in violation of the Utah Constitution, Section XIV(3). As such, the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. Maximum in the general funds may not exceed 75% of the total estimated revenue of the general fund.

HOLDEN TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Once adopted, the budget may be amended by the Town council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

F. Property Taxes

Property taxes are assessed and collected for the Town by Millard County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

G. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Holden Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of the pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year end, the carrying amount of the Town's deposits was \$39,177 and the bank balance was \$2,466. All of the bank balance was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of June 30, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits	39,177
Investments - PTIF	<u>336,460</u>
Total Cash and Investments	<u><u>375,637</u></u>

HOLDEN TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	83,863
Business-Type Activities - Unrestricted	281,514
Business-Type Activities - Restricted	<u>10,260</u>
 Total Cash and Cash Equivalents	 <u><u>375,637</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

HOLDEN TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$0 of the local government's bank balances of \$2,466 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the UMMA.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments has investments of \$336,460 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable shown in the balance sheet of the utility funds are amounts due from residents for water and electricity. No provisions for possible uncollectible amounts has been provided as management of the Town believes all amounts are collectable.

HOLDEN TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - FIRE SPECIAL SERVICE DISTRICT

During 1987 Holden Town joined the Millard County Fire District which is a Special Service District. The Special Service District levies and collects taxes for the members of the Fire District. This money is then remitted, based upon an agreed formula, to the towns involved in the District to be used for fire control. These funds are accounted for in the General Fund.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	16,000	-	-	16,000
Land Related To Infrastructure	<u>5,600</u>	<u>-</u>	<u>-</u>	<u>5,600</u>
 Total Capital Assets Not Being Depreciated	 <u>21,600</u>	 <u>-</u>	 <u>-</u>	 <u>21,600</u>
 Capital Assets Being Depreciated:				
Buildings	85,500	-	-	85,500
Equipment	48,000	-	-	48,000
Vehicles	45,000	-	-	45,000
Infrastructure	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>450,000</u>
 Total Capital Assets Being Depreciated	 <u>628,500</u>	 <u>-</u>	 <u>-</u>	 <u>628,500</u>
 Less Accumulated Depreciation For:				
Buildings	33,895	1,885	-	35,780
Equipment	22,800	4,800	-	27,600
Vehicles	21,000	4,500	-	25,500
Infrastructure	<u>270,000</u>	<u>22,500</u>	<u>-</u>	<u>292,500</u>
 Net Fixed Assets Depreciation	 <u>347,695</u>	 <u>33,685</u>	 <u>-</u>	 <u>381,380</u>
 Total Capital Assets Being Depreciated (Net)	 <u>280,805</u>	 <u>(33,685)</u>	 <u>-</u>	 <u>247,120</u>
 Governmental Activities Capital Assets, Net	 <u>302,405</u>	 <u>(33,685)</u>	 <u>-</u>	 <u>268,720</u>

HOLDEN TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land and Right of Ways	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
Total Capital Assets Not Being Depreciated	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
Capital Assets Being Depreciated:				
Water System	954,396	-	-	954,396
Electric System	180,708	-	-	180,708
Equipment	<u>56,950</u>	<u>-</u>	<u>-</u>	<u>56,950</u>
Total Capital Assets Being Depreciated	<u>1,192,054</u>	<u>-</u>	<u>-</u>	<u>1,192,054</u>
Less Accumulated Depreciation For:				
Water System	403,003	23,324	-	426,327
Electric System	130,873	2,805	-	133,678
Equipment	<u>21,195</u>	<u>5,695</u>	<u>-</u>	<u>26,890</u>
Total Accumulated Depreciation	<u>555,071</u>	<u>31,824</u>	<u>-</u>	<u>586,895</u>
Total Capital Assets Being Depreciated (Net)	<u>636,983</u>	<u>(31,824)</u>	<u>-</u>	<u>605,159</u>
Business Type Activities Capital Assets, Net	<u>638,483</u>	<u>(31,824)</u>	<u>-</u>	<u>606,659</u>
Total Capital Assets	<u><u>940,888</u></u>	<u><u>(65,509)</u></u>	<u><u>-</u></u>	<u><u>875,379</u></u>

HOLDEN TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	875	-	875
Public Health	-	31,824	31,824
Highways and Public Improvements	29,800	-	29,800
Parks and Recreation	3,010	-	3,010
	<u>33,685</u>	<u>31,824</u>	<u>65,509</u>
Total Depreciation Expense	<u>33,685</u>	<u>31,824</u>	<u>65,509</u>

NOTE 6 - LONG-TERM DEBT

Water Revenue Bonds:

On May 13, 2003, the Town authorized the issuance of Parity Water Revenue Bonds, Series 2003 in the amount of \$310,000 for the purpose of providing funds to finance all or part of the cost of constructing culinary water system improvements for the Town. The project consists of the construction of a storage tank and the development of spring areas. The bonds require yearly payments including interest at the rate of 2.5%.

The following is a schedule of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-2007	13,000	7,150	20,150
2007-2008	13,000	6,825	19,825
2008-2009	13,000	6,500	19,500
2009-2010	14,000	6,175	20,175
2010-2011	14,000	5,825	19,825
2012-2016	76,000	23,625	99,625
2017-2021	86,000	13,700	99,700
2022-2026	6,943	2,900	9,843
	<u>235,943</u>	<u>72,700</u>	<u>308,643</u>
Total	<u>235,943</u>	<u>72,700</u>	<u>308,643</u>

The bond also requires a reserve to be established of \$285 per month until a maximum of \$20,500 is reached. The balance at year end was \$10,260.

HOLDEN TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in long-term debt at June 30, 2006:

	Total	Outstanding	Current Year Changes		Outstanding
	Issued	June 30, 2005	Issued	Matured	June 30, 2006
Bond Issue:					
Water Revenue Bonds	<u>310,000</u>	<u>298,000</u>	<u>-</u>	<u>62,057</u>	<u>235,943</u>

NOTE 7 - LOAN REDUCTION

During the year the Town returned the balance of the money in the escrow accounts restricted for capital outlay on the water project. The amount returned was the prior year end balances of \$49,916 plus interest earned since the prior fiscal year end. The money returned to the State of Utah was applied against the outstanding loan for the water improvement project.

NOTE 8 - CLASS C ROADS

The following is a schedule of receipts and expenditures for Class C Roads:

Fund Balance - Beginning of Year	17,000
Receipts:	
State Allotments	27,106
Interest	<u>1,778</u>
Total Receipts	28,884
Expenditures	<u>(4,884)</u>
Fund Balance - End of Year	<u>41,000</u>

NOTE 9 - PERPETUAL CARE PERMANENT FUND

The following is a schedule of changes in the Cemetery Perpetual Care Fund:

Fund Balance - Beginning of Year	46,206
Receipts	-
Disbursements	<u>-</u>
Fund Balance - End of Year	<u>46,206</u>

HOLDEN TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 10 STATE RETIREMENT PLANS

Local Governmental - Cost Sharing:

Plan Description:

Holden Town contributes to the Local Governmental Noncontributory Retirement System which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The System provides retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the Utah Retirement Systems and plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Holden Town is required to contribute a percent of covered salary to the following system; 11.09% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Holden Town contributions to the various systems for the years ending June 30, 2006, 2005 and 2004, respectively, were; for the Noncontributory System, \$5,916.00, \$5,742.50 and \$5,043.60. The contributions were equal to the required contributions for each year.

NOTE 11 - RISK MANAGEMENT

Holden Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries and disasters. The Town is insured through a commercial carrier for general liability coverage. The limits of coverage is \$2,000,000 with no deductible for comprehensive general liability. General automobile liability is \$1,000,000 with no deductible.

The Town is also insured through a commercial insurance carrier for property coverage. This policy provides All Risk coverage with a \$1,000 deductible for buildings, contents, and equipment.

Worker's compensation coverage is with the State of Utah.

Claims have not exceeded coverage in any of the last three calendar years.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**HOLDEN TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:				
Taxes:				
General Property Taxes	7,475	7,475	7,687	212
Prior Years Taxes	300	300	288	(12)
General Sales and Use Taxes	35,000	35,000	34,014	(986)
Fee-In-Lieu	3,200	3,200	3,231	31
Total Taxes	45,975	45,975	45,220	(755)
Licenses and Permits	4,000	4,000	927	(3,073)
Intergovernmental Revenue:				
Class C Road	35,000	35,000	27,106	(7,894)
State Liquor Allotment	200	200	148	(52)
Total Intergovernmental Revenue	35,200	35,200	27,254	(7,946)
Charges for Services:				
Post Office Fee	26,500	26,500	26,400	(100)
Sanitation	25,000	25,000	19,838	(5,162)
Cemetery	3,000	3,000	1,340	(1,660)
Fire Services	11,000	11,000	16,575	5,575
Utility Administrative Fee	25,000	25,000	25,000	-
Total Charges for Services	90,500	90,500	89,153	(1,347)
Miscellaneous Revenue:				
Interest	6,000	6,000	8,337	2,337
Miscellaneous	8,000	8,000	3,992	(4,008)
Use of Fund Balance	27,325	27,325	-	(27,325)
Total Miscellaneous Revenue	41,325	41,325	12,329	(28,996)
Total Revenues	217,000	217,000	174,883	(42,117)

**HOLDEN TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General Government:				
Mayor and Council	7,000	7,000	5,333	1,667
Administration	77,000	77,000	66,039	10,961
Post Office	35,000	35,000	30,871	4,129
Total General Government	119,000	119,000	102,243	16,757
Public Safety:				
Fire Department	10,000	10,000	19,722	(9,722)
Highway and Public Improvements:				
Class C Roads	30,000	30,000	4,883	25,117
Sanitation	32,000	32,000	20,651	11,349
Culture and Recreation:				
Parks and Recreation	10,000	10,000	8,969	1,031
Cemetery	11,000	11,000	7,265	3,735
Beautification	5,000	5,000	989	4,011
Total Culture and Recreation	26,000	26,000	17,223	8,777
Total Expenditures	217,000	217,000	164,722	52,278
Excess Revenues Over Expenditures	-	-	10,161	10,161
Fund Balance, Beginning	14,345	14,345	14,345	-
Fund Balance - Ending	14,345	14,345	24,506	10,161

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is used to assist in formatting, for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Board
Holden Town
Holden, Utah 84636

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Holden Town as and for the year ended June 30, 2006, which collectively comprise Holden Town's basic financial statements and have issued our report thereon dated October 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Holden Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

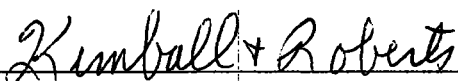
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Holden Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Holden Town in a separate letter dated October 26, 2006.

Honorable Mayor and Town Board
Holden Town
Page -2-

This report is intended solely for the information and use of management, and the Town Board and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

October 26, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Board
Holden Town
Holden, Utah 84636

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Holden Town, for the fiscal year ended June 30, 2006, and have issued our report thereon dated October 26, 2006. As part of our audit, we have audited Holden Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

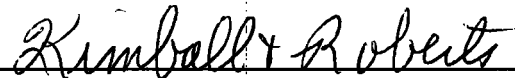
The management of Holden Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

Honorable Mayor and Town Board
Holden Town
Page -2-

In our opinion, Holden Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

October 26, 2006
Richfield, Utah

**HOLDEN TOWN
MANAGEMENT LETTER
JUNE 30, 2006**

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

FINDINGS AND RECOMMENDATIONS

Honorable Mayor and Town Council
Holden Town Corporation
Holden, Utah 84636

During our audit of the funds of Holden Town Corporation for the fiscal year ended June 30, 2006, we noted certain areas needing corrective action in order for the Town to be in compliance with state laws and regulations. These items are discussed below for your consideration.

COMPLIANCE:

Fund Balance

Finding:

During the audit we noted that the unreserved fund balance in the general fund is in a negative position of \$16,494.

Recommendation:

We recommend that the Town budget this deficit to be made up in this following fiscal year ending June 30, 2007.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Cash Management

All public funds are required to be deposited daily, whenever practicable, but not later than three business days after receipt.

Finding:

During our tests of cash receipts we noted that receipts are not always deposited within three business days of receipt.

Recommendation:

We recommend that all public funds be deposited no later than three business days after receipt.

2
Honorable Mayor and Town Council
Holden Town Corporation
Page -2-

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Budgetary Compliance

State law states that officers and employees of a Town shall not incur expenditures in excess of the total appropriation for any department in the General Fund.

Finding:

The expenditures in the Fire Department exceeded the budgeted amount by \$9,722.

Recommendation:

We recommend that when anticipated expenditures are going to exceed the budget in any department and the total budget has not been expended, the council and mayor should, by resolution, reallocate the budget to those departments that may exceed the original budget and reduce the departments that will not exceed the budget.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Holden Town Corporation's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

October 26, 2006
Richfield, Utah